

## **Corporate Governance Report**

We are pleased to present the Corporate Governance Report of the Company for the year ended 31<sup>st</sup> December 2012.

### **COMPANY'S PHILOSOPHY**

The principles of Corporate Governance are the cornerstones of Oman Oil Marketing Company. We believe these principles distinguish a well-managed company from other methods of management. These principles ensure transparency, integrity and accountability which are vital for the long and sustained growth of the Company.

Oman Oil Marketing Company has been practising these principles long before these were made mandatory for listed companies and fully supports the guidelines on Corporate Governance issued in June 2002 by the Capital Market Authority (CMA). The Company has a representation of five independent directors on its Board to complement and supplement the other four directors, the Executive Management and providing optimum mix of professionalism, knowledge and experience.

Our endeavour has always been to engage persons of eminence as directors who can contribute to corporate strategy, provide an external perspective and be a source of challenge and evaluation wherever appropriate. We have the good fortune of having directors whose contributions to the trade and industry are well acknowledged.

### **BOARD OF DIRECTORS**

#### **(a) Composition of the Board**

The Board of Directors comprises of nine members, which is the maximum number permitted by the Articles of Association of the Company. All the Directors are Non-Executive, Omani nationals and five of them are Independent. During the year 2012 CMA vide its circular K/14/2012 dated 24th October 2012 amended definition of 'Independent director' and 'related parties'. The company complies with the CMA amended definition of Independent Directors.

Subject to the overall superintendence and control of the Board, the day to day management of the Company now vests in the Executive Management team headed by Eng. Omar Ahmed Salim Qatan, Chief Executive Officer and includes Mr. Raja Shahreen Othman, Mr. Hussain Jama Al Ishaqi, Mr. Ahmed Kamel Mahmud, Mr. Faisal Abdulaziz Said Al Shanfari, Mr. Nabeel Salim Said Al Ruwaidhi, Mr. Mohammed Amor Rashid Al Barwani and Mr. Hussain Abdul Latif Al Balushi.

The CEO is a permanent invitee to the Board meetings of the Company. The Company Secretary is Mr. Raja Shahreen Othman.

**(b) Process of nomination of Directors**

Directors are appointed for three years and retire by rotation and, if eligible, can offer themselves for re-election at the Annual General Meeting (AGM). There are arrangements for the filling of vacancies by the Board itself on a temporary basis. Individuals wishing to nominate themselves for election to Directorship to the Company's Board are required to complete and submit a nomination form to the Company at least two working days before the Annual General Meeting (AGM) of the Company. Notice of the AGM is published in the leading English and Arabic dailies at least two weeks in advance.

The process as laid down in the Commercial Companies Law and by the Capital Market Authority (CMA) in conjunction with the Articles of Association of the Company is adhered to. The Company has an induction program for Directors, which covers the business environment and the Company businesses as well as specific Corporate Governance elements (e.g. Confidentiality, Disclosure of Interest).

**(c) Disclosures regarding appointment or re-appointment of Directors**

There were no changes in the Board of Directors during the year.

**(d) Number of Board meetings**

The Company held five Board meetings during the year ended December 31<sup>st</sup> 2012. These were on January 25<sup>th</sup> 2012, March 24<sup>th</sup> 2012, April 25<sup>th</sup> 2012, July 17<sup>th</sup> 2012 and October 22<sup>nd</sup> 2012 with the maximum interval between any two meetings not exceeding the CMA required interval of maximum of four months.

**(e) Directors' attendance record and directorships held**

See Table 1 for details.

**Table 1: Details about Oman Oil Marketing's Board of Directors**

<b>Name of Director</b>	<b>Position</b>	<b>Board meetings held during the year</b>	<b>Board meetings attended during the year</b>	<b>Whether attended last AGM</b>	<b>Directorships in other SAOG companies incorporated in Oman</b>
Salim Abdullah Al Rawas <sup>1</sup>	Chairman Non Executive and Non Independent Director	5	5	Yes	1
Mulham Bashir Al Jarf	Deputy Chairman Non Executive and Non Independent Director	5	3	Yes	-
Assilah Zaher Al Harthy	Non Executive and Non Independent Director	5	4	Yes	-

Amal Suhail Bahwan <sup>2</sup>	Non Executive and Independent Director	5	4	Yes	2
Khamis Mohammed Al Amry	Non Executive and Independent Director	5	5	Yes	-
Al Sayyida Rawan Ahmed Al Said	Non Executive and Independent Director	5	5	Yes	3
Ahmed Abdullah Al Rawas <sup>3</sup>	Non Executive and Non Independent Director	5	0	No	3
Abdul Kader Darwish Al Balushi	Non Executive and Independent Director	5	5	Yes	1
Saleem Pir Bakhsh Al Raisi	Non Executive and Independent Director	5	5	Yes	2

**Notes:**

- 1 Representing Oman Oil Company SAOC
- 2 Representing Suhail Bahwan group
- 3 Representing Dhofar International Development & Investment Holding Company SAOG

Independent Director is as defined in Article 1 of the Code of Corporate Governance.

**(f) Information supplied to the Board**

In order to facilitate proper governance, the following information amongst others is provided to the Board:

- Review of annual operating plans of businesses, capital budgets, updates
- Quarterly results of the Company and its operating divisions or business segments
- Key discussion points at meeting of audit committee
- Materially important show cause, demand, prosecution and penalty notices
- Fatal or serious accidents or dangerous occurrences
- Any materially significant effluent or pollution problems
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company
- Any issue which involves possible public or product liability claims of a substantial nature
- Details of any joint venture or collaboration agreements
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Significant labour problems and their proposed solutions
- Significant development in the human resources and industrial relations fronts
- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business
- Material details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and
- Non-compliance with any regulatory, statutory or listing requirements or shareholder services such as non-payment of dividend

The Board of Oman Oil Marketing Company (omanoil) is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as a part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings or are tabled before the appropriate committees of the Board.

The Board has, as required under the Corporate Governance guidelines, adopted internal regulations – these include adoption of principles, policies and procedures and practices for doing business and conducting affairs.

**(g) Materially significant related party transactions**

There have been no materially significant related party transactions, pecuniary transaction or relationships between Oman Oil Marketing Company (omanoil) and its Directors for the year ended December 31<sup>st</sup>, 2012 that may have a potential conflict with the interests of the Company at large.

**(h) Remuneration of Directors: sitting fees, salary, remuneration and perquisites**

The remuneration policy is decided by the Board and approved in the Annual General Meeting with the intent of attracting and retaining the highest quality of industrialists/ professionals to provide the Company with the right kind of strategic directions and improve operational efficiencies. Non-executive directors are paid RO 500/- for sitting at Board of directors meeting and RO 400/- for other sub committees as sitting fees for every meeting attended. Apart from the sitting fees, non-executive directors are paid as remuneration such that the aggregate of such remuneration for the full Board does not exceed 5% of net adjusted profits for the year before appropriating such remuneration subject to maximum amount of RO 200,000/- . The fixed remuneration is pro-rated for the period directorship is held, if less than one year. The regulations laid down in the Commercial Companies Law and as laid down by the CMA in this respect are also complied with. Executive directors, if any, apart from their contractual benefits and performance linked pay (see section below) are not eligible for any sitting fees or fixed remuneration.

Table 2 gives the details of the remuneration package of Directors

**Table 2: Remuneration paid/payable to Directors during the year 2012**

**Omani Riyals**

<b>Name of Director</b>	<b>Sitting Fees</b>	<b>Others</b>	<b>Remuneration*</b>	<b>Total</b>
Salim Abdullah Al Rawas 2	2,900	-	15,000	17,900
Mulham Bashir Al Jarf 2&3	2,700	-	15,000	17,700
Assilah Zaher Al Harthy 1	4,000	-	15,000	19,000
Amal Suhail Bahwan 3	2,400	-	15,000	17,400
Khamis Mohammed Al Amry	2,500	-	15,000	17,500
Al Sayyida Rawan Ahmed Al-Said 1&2	4,900	-	15,000	19,900
Ahmed Abdullah Al Rawas	-	-	15,000	15,000
Abdul Kader Darwish Al Balushi 1&2	4,900	-	15,000	19,900

SaleemPir Bakhsh Al Raisi <sup>3</sup>	2,900	-	15,000	17,900
	<b>27,200</b>	-	<b>135,000</b>	<b>162,200</b>

**Notes:**

1 Includes sitting fees for Audit committee meetings

2 Includes sitting fees for Board Investment Committee meetings

3 Includes sitting fees for Remuneration Committee meetings

\* The remuneration for the year ended December 31<sup>st</sup> 2012 will be paid to the non-executive directors after adoption of accounts by shareholders at the Annual General Meeting to be held on March 27<sup>th</sup> 2013 at 3 pm.

**(i) Directorships in other listed companies and memberships of other committees**

Table 3 gives details of Board members' Directorships in other listed companies and memberships of other committees

**Table 3: Particulars of Directorships in other SAOG Companies & memberships of other committees**

Name of the Director	Other Directorships		Other Committee memberships	
	Name of the company	Position	Committee	Position
Salim Abdullah Al Rawas	Galfar Engineering & Contracting Co SAOG	Member	Executive Committee	Member
Mulham Bashir Al Jarf	None	N/A	N/A	N/A
Assilah bint Zaher Al Harthy	None	N/A	N/A	N/A



Amal bint Suhail Bahwan	Oman Ceramics Co. SAOG	Chairperson	N/A	N/A
	National Pharmaceutical Industries Co. SAOG	Director	N/A	N/A
Khamis bin Mohammed Al Amry	None	N/A	N/A	N/A
Al Sayyida Rawan Ahmed Al-Said	National Bank of Oman	Member	Audit Committee	Chairperson
	ONICH Holding SAOG	Executive Director	Executive Committee	Member
	Oman Orix Leasing	Vice Chairman	Executive & Investment Remuneration & Human Resource Executive Committee	Member Chairperson

Ahmed Abdullah Al Rawas	Dhofar International Development & Investment Holding Company SAOG	Director	N/A	N/A
	Dhofar Cattle Feed Co SAOG	Vice Chairman	N/A	N/A
	Salalah Flour Mills Co SAOG	Vice Chairman	Audit	Chairman
Abdul Kader Darwish Al Balushi	Oman Ceramics Co	Director	Audit Committee Executive Committee	Chairman Member
Saleem Pir Bakhsh Al Raisi	Oman Flour Mill SAOG	Director	Executive & Investment Committee	Member
	Muscat Gas Co. SAOG	Director	Audit Committee	Member

**(j) Disclosures by the Board members**

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

**(k) Committees of the Board**

**1) Audit Committee**

The Audit Committee comprises of three (3) non-executive and independent directors. The members are as follows:

**Table 4: Audit committee members:**

Name	Position
Abdul Kader Darwish Al Balushi	Chairman
Al Sayyida Rawan Ahmed Al-Said	Member
Assilah Zaher Al Harthy	Member

The Company continue to derive immense benefit from the deliberation of the Audit Committee comprising of three Non-Executive Directors – Mr. Abdul Kader Darwish Al Balushi (Chairman), Al Sayyida Rawan Ahmed Al Said and Ms. Assilah bint Zaher Al Harthy who are eminent professionals knowledgeable in finance, accounts and company law. The Chief Internal Auditor serves as the secretary to the Audit Committee. The CEO and Chief Internal Auditor are permanent invitee to the meeting. The Chairman of the audit committee meeting, at the Board meeting, briefs the Board of the outcomes at the audit committee meeting, and these are discussed at the Board meeting.

Among the principal functions and duties of the Audit Committee are as follows:

- Overseeing the Company’s financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services;
- Reviewing with management and external and internal auditors, the adequacy of internal control systems;
- Reviewing the Company’s financial and risk management policies; and
- Examining reasons for substantial default in the payment to depositors, bond holders, shareholders (in case of non-payment of declared dividends) and creditors, if any;

Further details on the Audit Committee including its activities during the year under review are contained in the Audit Committee report of this Annual Report.

## **2) Board Investment Committee**

The Investment Committee is comprised of four (4) Non-Executive Directors (two of whom are independent):

- a) Salim Abdullah Al Rawas – Chairman
- b) Al Sayidda Rawan Ahmed Al Said
- c) Mulham Bashir Al Jarf
- d) Abdul Kader Darwish Al Balushi

The Board secretary also serves as the secretary to the Board Investment Committee and the Chief Executive Officer is a permanent invitee to the meeting.

The principle functions and duties of the Investment Committee are as follows:

- To deliberate, review and recommend for approval of the Board on the merits of any new businesses to be set up or acquired or any investment proposal submitted to the Company.
- To carry out any other functions as may be delegated and authorised by the Board.
- There was one (1) investment committee meeting held during the year.

## **3) Board Remuneration Committee**

The Company sets up a Remuneration Committee in 2011 and comprises of three (3) Non-Executive Directors (two of whom are independent):

- a) Mulham Bashir Al Jarf – Chairman
- b) Amal bint Suhail Bahwan
- c) Saleem Pir Bakhsh Al Raisi

The Head of Human Resources and Corporate Affairs serves as the secretary to the Remuneration Committee and the Chief Executive Officer is the permanent invitee to the meeting.

Among the principle functions and duties of the Investment Committee are as follows:

- In the case of the CEO, recommending to the Board the appointment, remuneration, reward framework, KPI as well as assessment thereof.
- In the case of the Executive Management and based on the recommendation of the CEO, approving the appointment, remuneration, reward framework, and key performance indicators (KPI) as well as assessment thereof
- Ensuring an appropriate succession plan is in place at all times for the CEO and Executive Management.
- Reviewing the qualifications and work experience of any individual being nominated to be appointed to the Executive Management.
- Reviewing and oversee human resource policies and Organisation plans.
- Reviewing and ensure the existence of a remuneration framework that adequately addresses Company needs in attracting and retaining competent employees taking into account market trends and practices.
- Interviewing any member of the Executive Management upon resignation or termination from the Company.

## **MANAGEMENT & REMUNERATION**

Recruitment and remuneration of the CEO is finalised by the Board or a sub-committee of the Board.

With respect to the selection of the key executives (other than contractors), a selection process applied within the Company is used. The job of each executive and each other salaried employee of the Company is assigned an internal “job level” designation, based on the person’s duties and responsibilities, the degree of special skill and knowledge required and other similar factors. Each job level is assigned a job rate. This job rate is determined with reference to surveys and other conditions. This system is in widespread use within the industry and adjusted from time to time. The same applies for evaluation of staff where a comprehensive performance appraisal system is implemented.

The remuneration package of executives, other than those recruited as contractors, is made up of basic salary, annual bonus, contributions to Provident Fund/PASI and additional allowances and perquisites. The annual bonus is determined with reference to the extent of achievements against challenging performance targets. The targets taken into account include financial, operational, social and environmental objectives. Table 5 lists the names of the current senior management team.

<b>Table 5: Senior Management Team</b>				
<b>Name</b>	<b>Designation</b>	<b>Age</b>	<b>Qualification</b>	<b>Date of Joining the Company</b>
Omar Ahmed Salim Qatan	Chief Executive Officer	58	Msc (Engineering) , MBA	1-Apr-06
Ahmad Kamel Mahmud	General Manager - Aviation & Marine	47	BSc in Mechanical Engineering	16-Dec-08
Raja Shahreen Othman	General Manager - Finance & Accounts	45	B.Com, CA, CPA	1-Nov-07
Faisal Abdulaziz Said Al Shanfari	General Manager – Engineering, Operations and HSSE	41	B.Eng (Mechanical)	11-Feb-08
Nabeel Salim Said Al Ruwaidhi	General Manager - Business Development, Lubricants & Commercial	40	B.Eng (Civil), M.Eng (Industrial)	6-Oct-08
Mohammed Amor Rashid Al Barwani	General Manager - IT, & Strategic Planning	46	B.Eng (Electronics & Computer)	1-Dec-08

Hussain Jama Al Ishaqi	General Manager – Retail	44	MBA & MSc in Geographic Information for Development (GID)	1-Oct-07
Hussain Abdul Latif Al Balushi	Acting General Manager HR, Procurement & Corporate Affairs	37	ACCA & HND Bus Admin	23 Feb 2008

During the year 2012 the total cost of the top five executives of the Company was approximately RO 566,028 (Bonus for 2011 paid in 2012 is included in this amount.)

## **SHAREHOLDERS**

### **(a) Means of communication with shareholders and investors**

The Company has its own website and all vital information relating to the Company, its business and performance, including quarterly results and official press releases which are posted for all interested parties. The Company's website address is [www.oomco.com](http://www.oomco.com). The detailed and full set of quarterly results are also posted on the Muscat Securities Market (MSM) website [www.msm.gov.om](http://www.msm.gov.om) as also made available to any shareholder requesting the same to the Company or the MSM.

The summary of quarterly, half-yearly and annual results of the Company's performance together with the Director's report outlining the business performance, current issues and concerns as also other communication to shareholders (notice of general meetings, dividend payment) are published in leading newspapers both Arabic and English. The Directors scrutinise these announcements at their Board meetings prior to publication to ensure that they are accurate and present a clear assessment of the Company's affairs.

Furthermore, the Company entertains specific meetings with analysts and shareholders, upon request and as appropriate.

**(b) Dividend policy**

The Company's dividend policy is to remit the optimum amount of profit, in any operating year, to shareholders. If, in accordance with the business plans, funds and profits were likely to be available, the Company would like to pay a dividend. In line with this policy, the Company is expected to pay a dividend for the year 2012 in April 2013. The dividend payout would take into account major investment plans, working capital requirements or other constraints.

**(c) Details of non-compliance by the Company**

The Company has been fully compliant with all matters relating to the capital market and the listing arrangements and no penalties or strictures have been imposed on the Company by the CMA/MSM or any statutory authority during the period of this report.. The Company is also in full compliance with the Corporate Governance Code.

**(d) General body meetings**

The Company's Annual Report together with the Notice cum Agenda for the Annual General Meeting (AGM) contain sufficient written clarifications on each item on the agenda of the AGM so that shareholders are suitably briefed on matters that are to be discussed to enable their effective participation there at. The Directors encourage shareholders to attend and participate in the Annual General Meeting. Questions posed are, where possible, answered in detail either at the General Meeting itself or thereafter. Shareholders are welcomed to raise queries by contacting the Company at any time throughout the year and not just at the General Meetings.



Details of the last three Annual General Meetings are given in Table 6

**Table 6: Date, time and venue of the last three AGMs**

<b>Financial year (ended)</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
31st December 2009	31 <sup>st</sup> March 2010	12.00 PM	Sindbad ballroom at Crowne Plaza Hotel, Qurum
31st December 2010	28 <sup>th</sup> March 2011	3.00 PM	Assifah Meeting Room, Shangri-la Barr Al Jissah Hotel
31st December 2011	24 <sup>th</sup> March 2012	3.00 PM	Sindbad Ballroom at Crowne Plaza Hotel, Qurum

The Annual General Meeting for the financial year ended December 31<sup>st</sup> 2012 is scheduled to be held as per details below:

**Date** : March 27<sup>th</sup> 2013

**Venue** : Al Mandaloon Ballroom, Crown Plaza Hotel

**Time** : 3.00 PM

**(e) Stock Data**

Table 7 gives the monthly high and low prices and volumes of Oman Oil Marketing company (omanoil) shares at the Muscat Securities Market (MSM) for the year ended December 31<sup>st</sup> 2012.

**Table 7: Monthly share price data and volumes at the Muscat Securities Market (MSM)**

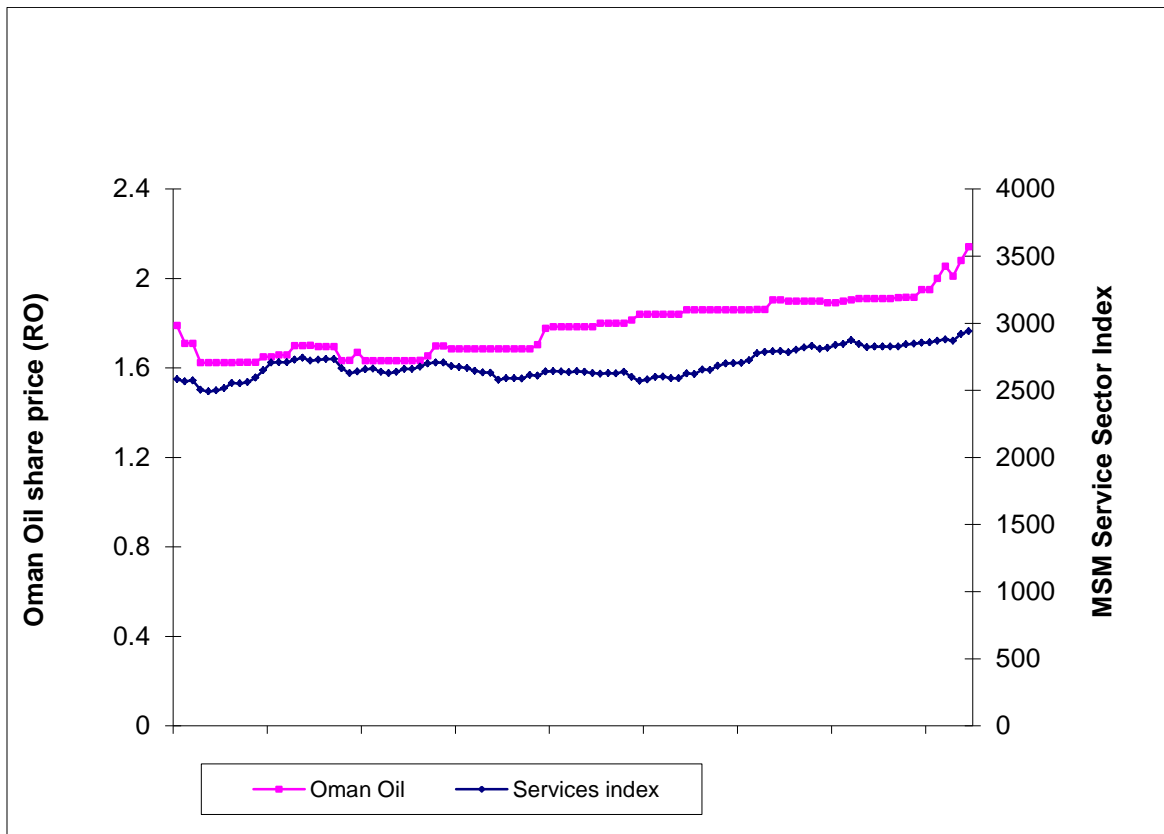
<b>Month 2012</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
January	1.800	1.620	136,686
February	1.700	1.624	73,280
March	1.700	1.600	770,291
April	1.700	1.600	657,957
May	1.700	1.600	69,466
June	1.811	1.700	58,255
July	1.865	1.800	136,500
August	1.860	1.680	115,991
September	1.870	1.860	131,949
October	1.910	1.800	153,132
November	1.915	1.892	91,331
December	2.100	1.915	71,800

**Note:** High and low are in Rial Omani per traded share. Volume is the total monthly volume of trade (in numbers) in Oman Oil Marketing shares on the MSM.

**Performance in comparison to broad based service sector index of Muscat Securities Market**

Chart A plots the performance of the Company's shares against the broad based Services sector index of the Muscat Securities Market (MSM) for the year 2012.

**Chart A: MSM Service Sector Index vs. Oman Oil Marketing in 2012**



**Distribution of shareholding**

Oman Oil Company SAOC holds 49% of the shares, whereas 51% of the shares are held by local investors or traded at the Muscat Securities Market. In line with the Commercial Companies Law and the Company’s Articles of Association, 3,225,000 shares of the Company have a preferential characteristic, in that they are multi-vote shares. Oman Oil Company owning these multi-vote shares thereby is able to cast 34,830,000 votes (51.4%) at the General Meetings of the Company. However, this will not itself enable them to control an Extraordinary General Meeting of the Company. Table 8 gives the distribution pattern of shareholding of Oman Oil Marketing Company (omanoil) as on December 31<sup>st</sup>,

2012 whilst Table 9 lists the names of the top ten shareholders in the Company on the same date with the number of shares owned and percentage age of holding (*the top ten shareholders are determined based on holdings in single account and not multiple accounts*).

**Table 8: Distribution of shareholding by size class as on December 31<sup>st</sup> 2012**

Holdings	Shareholders		Shares	
	Number	% of Total	Number	% to Total
Up to 5000	790	74.9	1,211,539	1.9
5,001 - 10,000	109	10.3	793,998	1.2
10,001 - 20,000	39	3.7	569,045	0.9
20,001 - 30,000	20	1.9	502,426	0.8
30,001 - 40,000	14	1.3	480,040	0.7
40,001 - 50,000	7	0.7	329,599	0.5
50,001 - 100,000	30	2.8	2,223,638	3.4
100,001 - 200,000	10	0.9	1,230,777	1.9
200,001 - 300,000	23	2.2	6,125,779	9.5
300,001 - 500,000	5	0.5	2,080,913	3.2

500,001 - 1,000,000	2	0.2	1,279,734	2.0
1,000,001 - 2,000,000	3	0.3	4,490,485	7.0
2,000,001 and above	3	0.3	43,182,027	67.0
<b>Total</b>	<b>1,055</b>	<b>100.0</b>	<b>64,500,000</b>	<b>100.0</b>

**Table 9: Top 10 shareholders as on 31st December 2012**

Holdings	Shares	
	Number	% to Total
Oman Oil Company SAOC	31,605,000	49.00
Civil Services Pension Fund	8,352,027	12.95
Dhofar International Development & Investment Holding Co SAOG	3,225,000	5.00
HSBC A/C Ministry of Defense Pension Fund	1,846,605	2.86
Public Authority for Social Insurance	1,406,690	2.18
Oman Cement Co SAOG	1,237,190	1.92
National Equity fund	643,387	1.09
Dhofar Insurance Co. SAOG	636,347	0.99
Bank Deposit Insurance Scheme Fund	450,000	0.70
National Investment Depository Company	438,041	0.68
<b>Total</b>	<b>49,840,287</b>	<b>77.27</b>

## **Outstanding GDRs/ADRs/Warrants/Convertible instruments and their impact on equity**

Not applicable for Oman Oil Marketing Company (omanoil)

## **Unclaimed Dividends**

Under the Commercial Companies Law and CMA guidelines, dividends that are unclaimed for a period of more than six months from the date of payment statutorily get transferred to the Investor Trust Fund administered by the Capital Market Authority. Table 10 gives the details of dividend payment since 2001 and the corresponding months when such unclaimed dividends were transferred to the stated Fund. The Company has no unclaimed dividends. All claims subsequent to the date of transfer for dividends not received need to be referred to the Muscat Clearing and Depository Company.

**Table 10: Details of unclaimed dividend transferred to the Investor Trust Fund**

*Rial Omani*

<b>Year</b>	<b>Dividend</b>				<b>Month of transfer</b>
	<b>%</b>	<b>Total Amount</b>	<b>Amount Claimed</b>	<b>Unclaimed &amp; transferred Amount</b>	
2001	25	1,612,500	1,601,071	11,429	March-04
2002	25	1,612,500	1,604,414	8,086	March-04
2003	26	1,677,000	1,662,844	14,156	January-05
2004	30	1,935,000	1,925,685	9,315	October-05
2005	45	2,902,500	2,893,469	9,031	October-06
2006	47.5	3,063,750	3,040,022	23,728	October-07
2007	47.5	3,063,750	3,039,924	23,826	October-08
2008	35.0	2,257,500	2,251,143	6,357	October-09
2009	35.0	2,257,500	2,250,813	6,687	October-10
2010	42.0	2,709,000	2,700,964	8,036	October-11
2011	62.0	3,999,000	3,972,962	26,038	October-12
<b>Total</b>		<b>27,090,000</b>	<b>26,943,311</b>	<b>146,689</b>	

## **AUDITOR'S REPORT ON FACTUAL FINDINGS ON CORPORATE GOVERNANCE**

As required, the Auditors' have issued a separate report on Factual Findings on the Company's Corporate Governance Report and application of corporate governance practices and which is annexed to this report.

### **ACKNOWLEDGEMENT BY THE BOARD**

As required by the code of corporate governance the board of directors hereby confirm the following:

- That it is the responsibility of the Board to ensure that the financial statements are in accordance with applicable standards and rules
- That the internal control systems are adequate and efficient and that it has complied with all internal rules and regulations
- That there is no material items that effect the continuation of the company and its ability to continue its operations during the next financial year

## **AUDIT COMMITTEE REPORT**

The Board of Directors of Oman Oil Marketing Company SOAG (OOMCO) is pleased to present the report on the Audit Committee of the Board for the financial year ended 31<sup>st</sup> December 2012.

### **Members and Meetings**

The Audit Committee during the year comprised the Directors listed below. The Committee had five (5) meetings during the financial year. Details of the members and the attendance of the meetings are as follows:

#### **Members**

- a) Abdul Kader Darwish Al Balushi Chairman

- |                            |        |
|----------------------------|--------|
| b) Rawan Ahmed Al-Said     | Member |
| c) Assilah Zaher Al Harthy | Member |

***Attendance of Meetings***

The audit committee met five times during the year: January 24<sup>th</sup> 2012, April 24<sup>th</sup> 2012, July 15<sup>th</sup> 2012, October 14<sup>th</sup> 2012 and October 21<sup>st</sup> 2012. The table below gives the attendance record.

<b>Members</b>	<b>Total</b>
a) Abdul Kader Darwish Al Balushi	5 / 5
b) Rawan Ahmed Al-Said	5 / 5
c) Assilah Zaher Al Harthy	5 / 5

**Activities of the Committee During the Year**

During the year, the Audit Committee carried out its duties as set out in the terms of reference. The main issues discussed by the Audit Committee were as follows:-

- review of the audit plans for the financial year 2012 to ensure adequate scope and coverage over the activities of the Company;
- review of the audit reports of the Company prepared by the internal and external auditors and consideration of the major findings by the auditors and management's responses thereto. The review included a meeting with the external auditors without the presence of the management of the Company to deliberate on the audit issues;
- review of the quarterly and annual reports of the Company prior to submission to the Board of Directors for consideration and approval;
- review of the performance of external auditors and made recommendations to the Board on their appointment, scope of work and audit fees;
- review the performance of the head of internal audit,
- review of the risk management policy and risk management registers; enterprise and departmental level; prepared by management;

**Terms of reference**

The terms of reference of the Committee are as follows:-



### **Composition of Committee**

The Committee shall be appointed by the Board of Directors amongst the Directors of the Company in accordance with the following guidelines:-

- The Committee shall consist of not less than three members; all being non-executive directors and a majority of them being independent,
- The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director.
- At least one member shall have finance and accounting expertise,
- The Audit Committee shall meet at least 4 times a year with majority of independent directors remaining present,
- In the event of any vacancy in the Committee resulting in the non-compliance of the Code of Corporate Governance pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.

### **Meetings**

**Meetings shall be held not less than four (4) times a year and, in addition to members of the Committee, will normally be attended by the Chief Executive Officer, General Manager Financial and Chief Internal Auditor. Other members of the Board, senior management and external auditors' representatives may attend the meetings upon invitation of the Committee.**

**The auditors, both internal and external, may request a meeting if they consider that one is necessary.**

**The quorum shall be two (2) members, a majority of whom must be Independent Directors. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board. The Secretary to the Committee shall be the Chief Internal Auditor.**

### **Rights and Authority**

**The Committee is authorised by the Board:**

- to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group;
- to have full and unrestricted access to information pertaining to the Group and the Company;

- to have direct communication channels with the internal and external auditors;
- to be able to obtain independent professional or other advice; and
- to have resources in order to perform its duties as set out in its terms of reference.

**Notwithstanding anything to the contrary, the Committee does not have executive powers and shall report to the Board of Directors on matters considered and its recommendation thereon, pertaining to the Company.**

#### **Review of the Committee**

**The performance of the Committee and each of the members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their Terms of Reference in the Corporate Governance Statement.**

#### **Duties and Functions**

**The duties and functions of the Committee are as follows:-**

- recommend the appointment of external auditors to the Board after taking into account their independence (particularly with reference to any other non audit services), fees and terms of engagement before AGM for appointment;
- reviewing audit plan and results of the audit and as to whether auditors have full access to all relevant documents;
- checking financial fraud particularly fictitious and fraudulent portions of the financial statements;
- oversight of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents;
- oversight of the adequacy of the internal control system through the regular reports of the internal and external auditors.
- to review the quarterly and annual financial statements of the Company focusing on the matters set out below, and thereafter to submit them to the Board:-
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and regulatory requirements.

- to consider the appointment, resignation and dismissal of external auditors and the audit fees;
- to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss;
- to review the audit reports prepared by the internal and external auditors, the major findings and management's responses thereto;
- to review the adequacy of the scope; functions and resources of the internal audit department and whether it has the necessary authority to carry out its work;
- to review the evaluation of the systems of internal control with the auditors;
- serving as a channel of communication between external auditors and the board and also the internal auditors and the board;
- reviewing risk management policies and looking into the reasons of defaults in payment obligations of the Company, if any;
- to review any appraisal or assessment of the performance of executives in the internal audit department;
- reviewing proposed specific transactions with related parties for making suitable recommendations to the Board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the Board; and
- any such other functions as may agreed to by Committee and the Board.

### ***Risk Management Framework***

The Board subscribes to the fact that an effective risk management practices is a critical component of a sound system of internal control. Accordingly, the Audit Committee was given the mandate to ensure that there is a formal and on-going process in place to identify, evaluate and manage significant risks faced by the Company that may impede the achievement of the Company's objectives throughout the year. Among measures taken during the year are as follows:

- Audit Committee meeting to discuss and review the Enterprise Risk register and departmental risk register. The risk register provides a comprehensive view of key details for every risk including Key Risk Indicators and Management Action plans,
- Update the Board on the progress of the Enterprise Risk Management.

Management is responsible for creating a risk-aware culture and for building the necessary knowledge for risk management. They also have the responsibility for managing risks and internal controls associated with the business and operations and ensuring the compliance with the applicable laws and regulations.

### ***Internal Audit Functions and Activities***

The Company has an in-house internal audit function. The Internal Audit department reports directly to the Audit Committee and its principal activity is to undertake regular and systematic reviews of the system of controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Company.

Throughout the financial year, audit assignments and follow-ups were carried out on units of operations. These were carried out in accordance with the annual audit plan or as special ad-hoc audits at Audit Committee's request. The resulting reports of the audits undertaken were presented to the Audit Committee and forwarded to the parties concerned for their attention and necessary action.

The Management is responsible for ensuring that corrective actions on reported weaknesses and suggested improvements as recommended are taken within the required timeframe.

The following activities were carried out by the Internal Audit department:

- reviewing and appraising the soundness, adequacy and application of controls to ensure effectiveness of internal control system in the Company,
- ascertaining the extent of compliance with established policies, procedures and statutory requirement,
- provides an independent assessment on the adequacy, efficiency and effectiveness of the Company's internal control system and advises management on areas that require improvement.
- identifying opportunities to improve the operations of and processes in the Company,
- facilitate the Risk Management framework for the Company which includes the establishment of the Risk Management policy (approved by the Board on 27 January

2010), facilitation and reviewing the enterprise risk management register and departmental register of the Company.

### ***Statutory Auditor***

PwC is a global network of firms operating in 158 countries with more than 180,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for 40 years, PwC has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 2,500 people. ([www.pwc.com/middle-east](http://www.pwc.com/middle-east)).

PwC has been established in Oman for over 40 years and the Firm comprises 3 partners, including one Omani national, and over 135 professionals and support staff. Expert assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience.

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The fees payable to PwC for the year 2012 for audit and other services is as follows:

- Audit of Financial Statements and Corporate Governance Report RO7,750/-

The Audit Committee has reviewed, on behalf of the Board, the effectiveness of internal controls by meeting the internal auditor, reviewing the internal audit reports and recommendations and meeting the external auditor, reviewing the audit findings report and the management letter; this includes meeting the auditor in the absence of management. The Audit Committee and the Board are pleased to inform the shareholders that, in their opinion, an adequate and effective internal control system is in place.

**Salim Abdullah Al Rawas**  
**Chairman**

**Omar Ahmed Salim Qatan**  
**CEO**